

THE ROLE OF CONSUMER PRIVACY AND SECURITY ON BRAND LOYALTY

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ABSTRACT

Electronic commerce (e-commerce) touches almost all types of products and services. The increasing volume of online transactions online has raised consumer concerns about the data that has been given, what the company actually do with the information collected and eventually have access to it. Privacy issues have been identified as an important thing for consumers. The perception of online transaction security is also becoming a more important concern. Furthermore, we want to know how consumer security and privacy issues of consumers influence on brand loyalty, also be seen how the role of brand trust as a mediating relationship between consumer safety and brand loyalty, and relationships between consumer privacy and brand loyalty. This research is a quantitative survey method, in an effort to develop an empirical model to test the effect of consumer privacy and security consumers on brand loyalty. Samples used 100 peoples, drawn from the public to the age of 15-64 years (working age) in the region Sawangan - Depok. Analysis of data using regression analysis with SPSS program package. The results show that the consumer security and consumer privacy each affects brand loyalty, and there is a mediator in the influencing consumer privacy on brand loyalty, it means that the existence of brand trust will reduce the influence of consumer privacy on brand loyalty.

Keywords: *brand loyalty, consumer privacy, consumer security.*

BACKGROUND

The focus of the marketing strategy on brand loyalty has been a concern for a long time, because of the presence of brand loyalty will reduce marketing costs. Along with the development of communication technology, marketing products or services are using the technological advances. Together with India and China, Indonesia is predicted to be transformed into one giant business of e-Commerce in the Asia Pacific region in 2016, the Minister of Communications and Information Technology, Rudiantara, predicting e-commerce business in this country would grow throughout 2016, with a transaction value reached US \$ 4.89 billion, or more than Rp 68 trillion,

the value is higher than in 2015 amounted to US \$ 3.56 billion. Development of electronic commerce made decreasing on the level of confidentiality of personal data. Consumers have little control over how their personal information is used. When consumers shop online, the increasing amount of personal information moves in cyberspace. By combining various existing databases and using sophisticated data manipulation techniques, it is possible to develop a profile which revealed a large amount of information about personal characteristics, a lifestyle of the individual consumer, and political and social activities. This data can be sold or exchanged between the companies to obtain comprehensive details of the

consumer. According to Nowak and Phelps (1995), it was more than 450 companies in the United States generate most of their sales revenue by collecting and selling consumer data information. Profit becoming more important than privacy. Internet technology has made it easier to collect large amounts of information on individuals. So the company that collects consumer information for their marketing purposes, immediately build trust with their customers by display the company's privacy policy clearly.

Electronic commerce notes how the process of marketing products or services in relation to brand loyalty. Studies that have been done previously showed that brand loyalty involves a component of rational or behavior and emotional or attitudes of consumers. Connection with online transactions, the security of transactions relating to the use of a product or service. Other terms relating to the provision of consumer information privacy is also a concern in relation to the use of a product or service. For marketers of products or services, especially marketing communications need to know the link between consumer security in online transactions and privacy of consumers in terms of the provision and distribution of personal data, in conjunction with brand loyalty.

Based on this background, interesting to be done a study of the influence of consumer security and privacy of consumers on the brand loyalty. Based on previous studies, many factors that influence a brand loyalty, including the existence of a brand trust. Furthermore, in addition to the influence of consumer

security and privacy of consumers as the independent variables on brand loyalty as the dependent variable, there will be also the presence of brand trust as a moderator variable between independent variables and dependent variable relationship.

LITERATUR REVIEW

Diffusion of Electronic Commerce

Definition of diffusion according to Rogers (1995) in Sciffman and Kanik (2010) is the process by the which an innovation is communicated through certain channels overtime among the members of a social system. In addition, diffusion can also be seen as a form of social change, which is a change from a process that occurs in the function and structure of the social system. In the understanding of marketing communication, diffusion means that over time, a new product is adopted by more and more customers (Terence A; 2000). According to Rogers (1995) in Sciffman Kanik (2010), the decision making process of innovation is the result of a mental process of a person or individual which of the first knowledge of an innovation subsequently form an attitude towards innovation, and decides to reject or accept, carry out new ideas and establish against the decision of innovation. Stages of acceptance decisions about innovations are as follows: (1) knowledge stage; which is influenced by socio-economic characteristics, individual characteristics and behavior of the communication (2) persuasion stage; which is influenced by the characteristics of innovation, in terms of innovation, degree of conformity,

complexity, can be tried and can be seen (3) decision stage; namely weigh the advantages and disadvantages of using innovation and thereafter take a decision on whether to adopt or reject the innovation (4) implementation stage; individuals determine the usefulness of innovation and seek other knowledge relating to it (5) confirmation stage; after the decision, a person can change a decision that has been taken, initially refused changed into a welcome innovation after conducting a series of evaluations.

Electronic commerce is the deployment, purchasing, sales, marketing goods and services over electronic systems such as the Internet or television, www, or other computer networks (wikipedia.org). E-commerce can involve electronic funds transfer, electronic data interchange, automated inventory management systems, and automated data collection systems. Innovation diffusion process of electronic commerce transactions made consumer do electronic transaction of a product or service. As noted above theory that diffusion of acceptance of an innovation is influenced by psychological factors, this means the adoption of electronic commerce transactions using a product or service is affected by the perception of security and perception of privacy with respect to effort getting the product. At the end of a recurring transaction behavior of a product or service will generate brand loyalty.

2. The scope of the Brand (Brand)

According to Aaker (1991: 7), defines brand as "A Distinguishing name and / or symbol (such as a logo, trade mark, or

package design) intended to identify to goods or services of either one seller of a group of sellers, and to differentiate those goods or services from Reviews those of competitors. The brand is the use of names, slogans, logos and trade mark, to distinguish between companies from one another and individuals to one another in terms of what they offer. Consistency using of a trademark, logos, or symbol, make the brand instantly recognizable by consumers and further still remember that everything associated with the brand. This means that a brand can contain three things; (1) Explain what the company sold. (2). Explain what that is run by the company (3) Describe the profile of the company itself. A series of appointments in which related with trust, consistency, and hope can be given by a brand. Thus, both for consumers and producers, existing of a brand is an important thing. The brand benefits for consumers is to simplify the process and make the purchase decision will guarantee the quality. For manufacturers, the brand can help a business in order to build loyalty and enhance relationships with consumers.

Aaker (1996: 8) defines brand loyalty as "A measure of the attachment that a customer has a brand". While Khan and Mahmood (2012, p. 33) states that "brand loyalty can be defined as the customer's unconditional commitment and a strong relationship with the brand, which is not likely to be affected under normal circumstances. Supposed companies can continue to survive, the existence of consumers who are loyal to the brand is very necessary. Loyalty can be defined as a deep commitment in order to re-purchase of products or services into user

preferences, which performed consistently in the future to re-purchase the same brand despite their behavior is influenced situational factors and marketing efforts. The existence of a customer base that has a high brand loyalty very profitable company, because it can reduce the cost of marketing the company. The need to acquire a new customer costs much more expensive compared to the cost to retain an existing customer. Trades can be enhanced with high brand loyalty. New customers will be interested because they have confidence that the purchase of branded products can reduce the risk. In addition, the company can respond more quickly to competitors. Based on a journal written by Odin and Florence (2001), brand loyalty at first is a buying behavior, but also because such behavior has been done repeatedly, then consumers become to have an existing attitude. The attitude was due to the commitment or willingness to use the product or service with the brand. In the Australian Marketing Journal East, Gendall, Hammond, Lomax (2005) states, a brand loyalty largely commitment not formed because of the behavior of someone from buying a sustainable product, but because of the recommendation of a friend or the environment in which individuals are then behavior occurs re-purchase a product.

The existence of brand trust cannot be separated from brand loyalty. According to Lau and Lee (1999: 44), there are three factors that influence trust in the brand. The third factor is related to the existence of the relationship between brands and consumers. These three factors are comprised of the brand itself, the

consumer and the manufacturer brand. Furthermore, it is said that brand loyalty occurs because of their confidence in the brand. The relationship between the three factors with brand trust can be explained as follows; (1) Brand characteristic; play a role in determining the trust to a brand in the consumer decision-making, the assessment before buying. Brand characteristics as can be foreseen, reputable and competent, are matters relating to brand trust (2) Company characteristic; the level of consumer confidence in the brand is also influenced by what is a brand. Consumer understanding of the brand of a product originally based on knowledge of consumers about the company that is the brand of the product. Characteristics of this knowledge covers a company's reputation, the integrity of the company, and the motivation of the company desired (3) Consumer-brand characteristic; this characteristic look at the similarities between the concept of the consumer emotional with the brand personality factors, the experience of the brand, and a preference for the brand.

Flavian M. Guinali'u (2006) defines the perception of security as the possibility of subjective belief which is owned consumer that their personal information (in the aspect civil and monetary) will not be viewed, stored, and manipulated by others during in transit and storage, thus consistently raised hopes their confidence. So, it is consumer safety in this study is the perception of security held by consumers.

Privacy can mean vary depending on the context. Culnan (1995) defines privacy as an individual's ability to control other

people's access to personal information of them. Privacy has also been defined as follows; a) The use of personal information freely supplied by individuals for the purpose of purchase or online transaction process; b) The transfer of personal information to third parties c) access personal information about finances or health. While the definition of privacy by Campbell (1997), namely the ability of individuals to determine the nature and extent of information about them are being communicated to others. Perceptions of privacy (Roca et al., 2009) states that it is related to how consumers feel about the possibility that online companies collect and use the data obtained from individuals improperly. So, it is with consumer privacy in this study is the perception of privacy which is owned by the consumer. In the context of the Internet, privacy with regard to aspects such as distribution, such as obtaining or using personal information.

METHODS

This research method using a quantitative approach, and retrieval of data using a survey method. Respondents in this study were people in the region Sawangan Depok with 15-64 years of age (working age). The sampling method using purposive sampling, and data analysis using SPSS program package. The variable used in this study were two independent variables, consumer security variable and consumer privacy variable, the moderator variable is a brand trust, and the dependent variable is the brand loyalty variable. While the indicators for each of these variables are as follows; consumer security variables: 1. The

mechanism of transmission of information occurs 2. Guarantee the security of consumer data 3. Financial security while transactions 4. Security of electronic payment (e-payment); consumer privacy variables: 1. Legal guarantees for the protection of consumer data 2. Collecting personal data of consumers 3. agreement with the consumer in the dissemination of information 4. Leisure consumer when providing information; brand trust variables: 1. brand's reputation and competence 2. experience of the brand 3. reputation and integrity of the company 4. passions of the brand; brand loyalty variables: 1. Brand option; 2. Proportion purchase; 3. brand preference; 4. Brand commitment. Measurement scale used in this study is Likert scale, with alternative answers; strongly agree (score 5), agree (score 4), neutral (score 3), disagree (score 2), strongly disagree (score 1). A number of samples were taken from the population with Slovin's formula and obtained 100 peoples, with a confidence interval of 95% and margin of error of 5%. Pretest against 30 respondents has been taken to test the validity and reliability of the instrument. Additionally, normality test and multi-collinearity test of data obtained. Normality test aims to test whether the data of each variable used in the regression models already meet the assumptions of normal distribution, which is a requirement to perform a regression analysis. Multicollinearity test aims to determine a linear relationship among some or all of the independent variables that explain the regression model. A good regression model should not happen correlation between the independent variables.

The hypotheses are:

H1: Consumer Security influence brand loyalty

H2: Consumer Privacy influence brand loyalty

H3: Consumer Security and Privacy as together influence brand loyalty

H4: Brand trust as a mediating variable between consumer security and brand loyalty relationship

H5: Brand trust as a mediating variable between consumer privacy and brand loyalty relationship

RESULTS

Based on the variable consumer security and consumer privacy variables as independent variables and variables brand loyalty as the dependent variable, the results obtained by linear regression analysis as follows;

Table 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4,987	1,921		2,595	,015	1,045	8,930
Security	,953	,288	,889	3,306	,003	,362	1,545
Privacy	-,094	,365	-,069	-,258	,799	-,844	,656

From table 1, two independent variables together in the predicted affect brand loyalty, but it appears that consumer privacy variables not significant (> 0.05) are in the regression equation, whereas consumer security variables were

significant in the regression equation. This means that consumer security variables and consumer privacy variables not jointly effect on brand loyalty (H3 are not accepted).

Table 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4,657	1,408		3,308	,003	1,773	7,541
Security	,885	,114	,826	7,742	,000	,651	1,120

a. Dependent Variable: loyalty

Table 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	,826 ^a	,682	,670	1,31121

Then the next analysis regression equation for each independent variable. Table 2 shows that consumer security variables were significantly (> 0.05) affect brand loyalty (H1 accepted)

The regression equation is formed:

$$Y = 4657 + 0885 x$$

Based on Table 3 shows that value of R-square is 68.2% (0.682×100), it means

that consumer security contribution to brand loyalty is 68.2%.

This can be explained in more detail that the components that influence brand loyalty are related to consumer safety; mechanisms of transmission of information, security of data in the transaction, financial guarantees in the transaction, payment security through the electronic system (e-payment).

Table 4

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95,0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2,993	2,123		1,410	,170	-1,356	7,343
Privacy	1,011	,172	,744	5,896	,000	,660	1,363

a. Dependent Variable: loyalty

Table 5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,744 ^a	,554	,538	1,55214

a. Predictors: (Constant), privacy

Based on Table 4 is known that consumer privacy variables significantly (> 0.05) affect brand loyalty variable, though this equation does not have constant, because the constant presence is not significant (H2 accepted).

The regression equation is formed:

$$Y = 1,011 x$$

Based on Table 5 it can be seen that value of R-square is 55.4% (0.554×100), it

means that consumer privacy contribution to brand loyalty is 55.4%.

Can be explained in more detail that the components that influence brand loyalty are related to consumer privacy; the guarantee of consumer data protection law, the collection of personal data, the approval of the use and dissemination of information, leisure information.

Based on the analysis of the testing of the presence of a moderator variable, Table 6 shows that the presence of brand trust variable as a moderator variable between consumer privacy independent variables and brand loyalty dependent variable are significant (< 0.05). The minus sign of the B coefficients indicates that the brand trust weakens the influence of consumer privacy on brand loyalty (H5 accepted). This can be explained as follows; if a consumer has a high level of brand trust, which includes components of confidence: the reputation and competence brand, reputation and

integrity of the company's experience of the brand, as well as the joy of a brand, then it makes consumers' privacy less effect on the brand loyalty.

This suggests that among many consumers in Indonesia, still considers the less important privacy of information, that information personal data provided may be used by parties who are not responsible. This fact is also related to the lack of consumer protection on personal data security and law enforcement against those who break them.

Based on the analysis of the testing of the presence of a moderator variable, Table 7 shows that the presence of brand trust variable as a moderator variable between consumer security independent variables and brand loyalty dependent variable are not significant (> 0.05).

Tabel 6

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95,0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-101,001	30,728		-3,287	,003	-164,164	-37,838
Privacy	10,744	3,144	7,906	3,417	,002	4,281	17,208
Trust	5,113	1,430	4,029	3,575	,001	2,174	8,053
priv*trust	-,477	,147	-10,673	-3,251	,003	-,779	-,175

a. Dependent Variable: loyalty

Table 7

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-16,901	14,141		-1,195	,243	-45,968	12,165
Security	2,406	1,390	2,244	1,731	,095	-,452	5,264
Trust	1,247	,738	,982	1,690	,103	-,269	2,763
sec*trust	-,088	,070	-2,220	-1,265	,217	-,232	,055

a. Dependent Variable: loyalty

CONCLUSION

Base on the study has been done to consumer of online trading or other transaction-based internet, brand loyalty is influenced by consumer perceptions about the safety of transactions. Brand

loyalty also has been influenced by consumers' perceptions of the maintenance of information has been done with respect the consumer privacy. The existence of consumer brand trust will reduce the existence of consumer privacy to influence brand loyalty.

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a. Dependent Variable: loyalty

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